

UNITED STATES PATENT APPLICATION

OF

ERROL O. KENDALL

JAMES C. BROOKS

ROBERT W. STEIN

DOUGLAS A. FRENCH

FRANCIS DE REGNAUCOURT

SHARYN R. KOHEN

CHARLES L. RATNER

ANSON J. GLACY, JR.

FOR

SYSTEM FOR APPRAISING LIFE INSURANCE AND ANNUITIES

LONG ALDRIDGE & NORMAN, LLP
701 PENNSYLVANIA AVENUE, N.W., SUITE 600
WASHINGTON, D.C. 20004
(202) 624-1200

DC:84452.1

BACKGROUND OF THE INVENTION

Field of the Invention

5 The present invention relates to an automated system for appraising value to consumers of a life insurance or annuity product, and more particularly, to a computer-based value appraising system.

Discussion of the Related Art

10 The financial services industry consists of industry segments such as insurance and banking. In turn, the insurance industry consists of industry segments such as life insurance, health insurance, and property and casualty insurance.

15 The life insurance industry includes product markets such as term life insurance, life insurance, variable life insurance, annuities, joint products, viatical settlements, preneed insurance, and long-term care insurance. Insurance carriers sell life insurance products through various distribution channels such as captive agents, independent agents, banks, affinity groups, and financial planners.

20 The present life insurance product markets for both insurance product proposals and in-force insurance products are inefficient. For insurance product proposals, the problem stems from: (1) an inadequate exchange of information between consumers and insurers during the selling process and, (2) the absence of a real-time auction market in which to price life insurance product proposals. Inefficient product markets for in-force insurance products stem from the absence of a system for measuring an insurance product's performance while that product is in-
25 force.

 An inadequate exchange of relevant and available information between consumers and insurers during the selling process is a significant source of product market inefficiency. Typically, consumers often do not receive relevant and available information necessary to make an informed purchase decision. Also, insurers

frequently do not receive relevant and available information on the consumer and current market pricing necessary to tailor their proposals for optimal product performance and pricing. Such inefficient transmission of information results in product market inefficiency. Such product market inefficiency in the insurance industry adversely affects consumers and insurance companies.

Moreover, many life insurance products have complex features that consumers do not understand. Consumers' lack of insurance product knowledge opens the door to misleading sales practices such as twisting, churning, and vanishing premiums. Product "gimmickry," such as lapse basing, preys on a consumer's inability to detect its existence. Recent, widely publicized accounts of race-based underwriting indicate that market conduct problems can go undetected for years by consumers, insurance company managements, and insurance industry regulators. Insurance industry regulators have attempted to enforce market conduct standards. Insurance companies have sought to curtail sales abuses. Their efforts have not solved the problem.

Market conduct problems occur regardless of an insurance company's financial strength. Favorable financial ratings are no indication of an insurer's compliance with market conduct standards. Independent rating firms evaluate an insurer's claims paying ability. They do not rate the products sold by insurers. The life insurance industry has no product rating system that appraises a proposed insurance product's total value to the consumer.

These and other market conduct problems point to the need for a system that assists the consumer in appraising a proposed insurance product's value.

The absence of a real-time auction market in which to price life insurance product proposals is a source of product market inefficiency. Currently, whether life insurance products are sold on the Internet or sold offline, the products are sold in a "fixed-priced" market. Typically, during the sales process, consumers and insurers cannot obtain real-time, market pricing information for products that are tailored to individual consumer needs. Thus, both consumers and insurers are deprived of opportunities to improve pricing before the sale closes. Consequently, some

insurance products may be priced too high. In other cases, product prices may be too low.

Some insurers presently post fixed pricing information for standard products on the Internet, making it easier for consumers to compare prices for certain products.

5 The Internet has made available more pricing information to consumers than ever before. However, while price comparisons allow the consumer to seek the lowest price for such fixed-price products, these price comparisons provide no other information to allow for an appraisal of the total value proposition.

10 Similarly, existing policyholders have no means for evaluating the performance of their in-force insurance policies. No system exists in the marketplace for appraising an in-force product's continuing value to the consumer.

Moreover, price is only one element in appraising an insurance product's total value proposition. No available systems provide consumers with information other than price to facilitate informed purchase decisions. Consumers need a system that
15 appraises the total value proposition of life insurance product proposals. Such a system would lead to stronger product market efficiency.

In addition, even though present systems allow for price shopping on the Internet by consumers, from the insurer's perspective, such price shopping commoditizes insurance products. Thus, insurers are forced to compete on price
20 alone and cannot differentiate products that provide other "non-price" value for consumers. Consequently, the attractiveness of the industry's structure declines, competitor rivalry increases, weak product substitutes proliferate, and entry barriers become lower across product markets. These structural changes squeeze margins and erode industry-wide profitability.

25

SUMMARY OF THE INVENTION

Accordingly, the present invention is directed to an evaluating system for a life insurance or annuity product that substantially obviates one or more of the problems due to limitations and disadvantages of the related art.

An advantage of the present invention is to provide an on-line, real-time system for evaluating a proposed life insurance or annuity product.

An advantage of the present invention is to provide an on-line, real-time system for evaluating an in-force life insurance or annuity product.

5 An advantage of the present invention is to provide an on-line, real-time system for evaluating a replacement life insurance or annuity product.

Another advantage of the present invention is to provide a system that creates efficient product markets for the benefit of the life insurance industry and its customers.

10 Another advantage of the present invention is to provide a system that enables insurance companies and insurance distribution channels to better serve their customers and to improve industry-wide profitability

Another advantage of the present invention is to provide a system to improve product pricing by pricing insurance products in an auction-style market.

15 Another advantage of the present invention is to provide a system for evaluating the current performance of an in-force life insurance or annuity product.

Additional features and advantages of the invention will be set forth in the description which follows, and in part will be apparent from the description, or may be learned by practice of the invention. The objectives and other advantages of the invention will be realized and attained by the structure particularly pointed out in the written description and claims hereof as well as the appended drawings.

20 To achieve these and other advantages and in accordance with the purpose of the present invention, as embodied and broadly described, a method of appraising a life insurance or annuity product includes the steps of receiving a request for a life insurance or annuity product and information about a party requesting the product; preparing a bid solicitation for the product based on the request and information and transmitting the bid solicitation to a plurality of product carriers; at least one of the plurality of product carriers providing a proposal for providing the life insurance or annuity product; automatically generating a numerical rating corresponding to each

proposal and providing the numerical rating to the corresponding product carrier; allowing the plurality of product carriers to revise the proposals based on the numerical rating; the product carriers providing a final proposal; and generating an appraisal for each of the final proposals.

5 It is to be understood that both the foregoing general description and the following detailed description are exemplary and explanatory and are intended to provide further explanation of the invention as claimed.

BRIEF DESCRIPTION OF THE DRAWINGS

10 The accompanying drawings, which are included to provide a further understanding of the invention and are incorporated in and constitute a part of this specification, illustrate embodiments of the invention and together with the description serve to explain the principles of the invention.

In the drawings:

15 FIG. 1 is a block diagram that illustrates a preferred embodiment of the present invention.

FIG. 2 is a block diagram that illustrates parties involved in a business transaction according to the preferred embodiment of the present invention.

20 FIG. 3 is a block diagram that illustrates an embodiment of the present invention appraising the continuing value proposition to the policyholder of an in-force life insurance policy or annuity.

FIG. 4 is a block diagram that illustrates an embodiment of the present invention for a policyholder to query a product value appraisal system without the aid of a distribution channel.

25 FIG. 5 is a block diagram that illustrates an embodiment of the invention appraising the value proposition for replacing an in-force life insurance policy or annuity.

FIG. 6 is a block diagram that illustrates an embodiment of the present invention for a policyholder to query a product value appraisal system for rating an in-force life insurance policy or annuity.

DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

Reference will now be made in detail to the preferred embodiments of the present invention, examples of which are illustrated in the accompanying drawings.

The present invention relates to an evaluating system for a life insurance or annuity product under consideration for purchase, the ongoing value of a life insurance or annuity product already owned, or replacing a life insurance or annuity product. In addition, either as a separate process or in conjunction with this process, the product value appraisal system of the present invention enables an on-line, real-time auction process for pricing life insurance and annuity products. The present invention provides a system for appraising a life insurance or annuity product's total value proposition to the consumer. The product value appraisal system operates preferably via the Internet, but may be configured to work off-line or via a closed network or Intranet. The system is configured to support all categories of insurance transactions including, business-to-business, business-to-consumer, and business-to-employee. The system appraises life insurance product and annuity proposals as well as life insurance and annuity products that are in-force and replacement product proposals.

The present invention is applicable to a number of financial products within the life insurance industry, as well as annuities. Within the market for life insurance, there are a variety of products for which a system for appraising value is most useful.

Term life policies provide a death benefit for a limited number of years after which

they expire without value. They may insure the life of one person, or provide protection on the lives of two people (Joint Term policies). Joint Term policies are of two types: those that pay the death upon the first death to occur and those that pay upon the second death during the term.

5 Term products may have non-guaranteed premium structures (participating policies that pay dividends or “indeterminate premium” plans that feature a guaranteed maximum premium scale, but provide for the opportunity to pay a lower current premium based on current experience of the insurer) or fully guaranteed premiums that never change (non-participating plans). Term plans that provide a death benefit that is a constant amount over the term period may be renewable at the end of the term (e.g., Annually Renewable Term, 5-Year Renewable Term, etc.). A subset of renewable term plans is Reentry Term, which provides the opportunity for a lower renewal premium than otherwise available if the insured can provide evidence of continuing good health. Non-renewable term plans include 20-Year Term and Term to Age 65. Term plans that provide a death benefit that decreases over the term period are generally non-renewable and are purchased to insure a specific need. Mortgage Protection Term, often sold in connection with new residential home loans is a good example.

Ordinary life insurance plans are conceptually designed to provide death protection for the insured’s entire lifetime. Unlike term life, they commonly provide for the accumulation of cash values that are available to the insured should the policy need to be terminated prior to death. Premiums for Ordinary Life can be structured to be payable for life or some finite number of years. Single Premium Life forms are even available. All Ordinary Life plans are generally available in joint life insurance (first-to-die) and joint and last survivor insurance forms in addition to single life

forms. In order of decreasing guarantees (increasing risk) to the purchaser, these plans fall into the following types: nonparticipating whole life, indeterminate premium whole life, participating whole life, interest sensitive whole life, universal life insurance, variable whole life and variable universal life.

5 Nonparticipating whole life provides for guaranteed level premiums and a guaranteed death benefit with fully guaranteed cash values. The insurer assumes all risks and the purchaser does not participate in experience more favorable than the insurer's guarantees.

10 Indeterminate premium whole life insurance is a version of nonparticipating whole life insurance with indeterminate premiums, which is discussed above with regard to term life insurance.

Participating whole life insurance is similar to nonparticipating whole life, but offers the opportunity to receive annual dividends from the insurer if experience is more favorable than guarantees.

15 Interest sensitive whole life insurance is a version of nonparticipating whole life insurance under which the insurer credits excess interest over and above the policy's guarantee to the policy's cash values as current conditions warrant.

20 Universal life insurance is a version of nonparticipating whole life under which the insurer provides guarantees as to maximum charges for expenses and the mortality risk and minimum interest rates, but the amount of premium is based on current charges and interest rates. Thus, the insured is assuming a fair amount of risk with respect to future experience, primarily concerning interest rates. Considerable flexibility is provided for changes in the amount and timing of premium payments and the amount of the death benefit as well the ability to make withdrawals from the cash values. There is consequently no guarantee that the policy will be in effect at the

25

insured's death if proper adjustments are not made in the premium payment pattern.

This is a significant difference from the four types of Ordinary Life described above.

Variable whole life insurance is a form of nonparticipating whole life under which the insured assumes substantially all of the investment risk, including the risk of fluctuations in principal value as well as the interest rate risk. Fixed level premiums are provided, but the death benefit and cash values fluctuate with the investment performance of the mutual funds selected by the insured for investment of the premiums. There is a minimum guaranteed death benefit payable whenever the insured's death occurs.

Variable universal life insurance is a combination of variable whole life insurance and universal life insurance. Variable universal life insurance represents the life product type with the fewest traditional insurer guarantees and thus the greatest assumption of risk by the insured. In return for assuming this risk, the insured has the upside potential of receiving a significant better value in favorable economic environments than under the other product types.

As shown in FIG. 1, the product value appraisal system of the present invention simultaneously solicits, prices, and rates life insurance and annuity policy proposals. FIG. 1 illustrates a "business-to-business" transaction.

A party seeking a life insurance or annuity product, the proposed insured 104, requests a life insurance or annuity product through a distribution channel 108 that sells such products to consumers, as illustrated by step 1 in FIG. 1. The proposed insured 104 also provides the distribution channel 108 with information necessary for the distribution channel to request proposals from carriers who sell that product type. This information includes the risk profile of the proposed insured 104 for the product.

Demographic and risk profile data include, for example, the proposed insured's age,

sex, smoking habits, amount of insurance or annuity benefit desired, the pattern of premium payments and the pattern of disbursements desired from the product.

Next, the distribution channel 108 transmits to a product value appraisal system ("PVAS") 112 information provided by the proposed insured 104, including the demographic and risk profile information as inputs to the product value appraisal system 112, as illustrated by step 2 of FIG. 1.

Then, the product value appraisal system 112 initiates bidding and/or invites proposals from interested product providers or carriers 116 by sending a proposed opening bid or invitation for proposal to a participating insurance carrier 116, as illustrated by step 3 of FIG. 1. The opening bid provided by the product value appraisal system 112 may include an opening price with a minimum product rating.

After initiating bidding or inviting proposals, the product value appraisal system 112 proceeds in an on-line, real-time, iterative process with the insurance carriers 116, as illustrated by step 4 of FIG. 1. Upon receipt of a bid or proposal from a participating insurance carrier 116, the product value appraisal system 112 reviews each bid or proposal and rates the bid or proposal and the pricing of each bid or proposal.

With each product proposal, the insurance carrier will transmit information about the price and benefits of its product along with identifying information about itself. This data includes data about the product's proposed benefits and price on both a guaranteed and illustrated basis, and information about the insurance company proposing the product. Product data include the proposed premiums to be paid and the proposed benefits to be provided, both distinguished between guaranteed amounts and illustrated amounts that depend on assumptions about the future. The insurance company information includes data that quantifies the financial strength of the

insurance company. The product value appraisal system 112 will use appropriate actuarial assumptions, such as mortality information specific to the end customer's risk profile, and traditional actuarial present value methodology to determine a numeric rating of the benefits offered in light of the proposed price, the Product Value

5 For Money, as represented in Fig. 1. Numeric ratings will also be assigned to other key scoring drivers: the product's performance under less optimistic assumptions about future interest rates and at lower premium levels (Product Stress Tolerance); various company financial information (Management Performance); previous interest rates actually credited to the product's values (Historical Credited Rates); various
10 qualitative measures of customer service (Customer Service Quality); and the financial strength of the product provider (e.g., A.M. Best Rating). The numeric ratings for these six scoring drivers will then be weighed to arrive at an overall rating of the customer value proposition.

In one embodiment, a universal life insurance product, the first scoring driver,
15 the product value for money, is determined using four metrics. The first and second metrics are based on projections of cash flow for groups of 1,000 policyholders. Each year, the system projects the number of policyholders dying, which is based on mortality tables appropriate for the gender, smoker status, and rating class of the insured, and the number of policyholders surrendering, which is based on lapse
20 assumptions. Cash inflows consist of the premiums paid by survivors, and cash outflows consist of death and surrender benefits paid. The ratio of the present value of cash inflows to the present value of cash outflows is the cash-on-cash Internal Rate of Return (IRR). Two separate IRR calculations are made based on two different assumptions about lapses and surrender rates to provide the first and second metrics
25 that make up the product value for money scoring driver.

The first IRR calculation is made based on lapse and surrender rates from the 1995 LIMRA life lapse rate study for the age and policy size of the client, i.e., empirical lapse and surrender rates. The second IRR calculation is made based on level lapse and surrender rates.

5 The third metric that factors into the product value for money scoring driver is the premium required to achieve the illustrated objective, typically the level premium to endow or to mature the policy at age 100. The fourth metric that factors into the product value for money scoring driver is an index of product flexibility. The index of product flexibility consists of one point for each of the following features: no-lapse
10 guarantees, term riders, penalty-free withdrawals, preferred loans, refunds of cost-of-insurance (COI) charges, and persistency bonuses.

The next scoring driver, for the embodiment for universal life insurance, product stress tolerance, incorporates three metrics. The first metric is the ratio of the 20-year cash surrender value on mid-point assumptions (halfway between current
15 assumptions and guaranteed assumptions) to the 20-year cash surrender value on current assumptions. Thus, the first metric measures the percentage drop in policy values if interest rates and mortality deteriorate. The second metric used in assessing product stress tolerance is the number of years the policy stays in force at the mid-point assumptions. This second metric measures the adequacy of the planned
20 premium if interest rates and mortality both deteriorate from what was expected. Finally, the system calculates the IRR just as for the product value for money scoring driver, but with premiums cut in half after the third year. This third metric measures the drop in product performance should the policyholder reduce premium payments.

In the embodiment for universal life insurance products, Management
25 Performance is measured using the following analytical metrics: (1) Five-year average

Return on Equity (ROE); (2) ratio of ordinary life expenses to Generally Recognized Expense Table expenses (GRET); (3) five-year average of annual premium growth rate in excess of annual expense growth rate (PEGG); (4) five-year asset compound annual growth rate; (5) maximum earnings deviation from geometric path; (6) ratio of ordinary life expenses to ordinary life premiums; and (7) ratio of ordinary life expenses to ordinary life reserves. Information to support these metrics may be derived from a carrier's annual statutory statements, or if the company is a subsidiary of a larger life insurer, data is taken from the consolidated statutory statement for total U.S. operations for the larger insurer.

(1) The ROE for each year is net income divided by average of beginning and ending capital & surplus for the carrier.

(2) Generally Recognized Expense Tables (GRET) are calculated as follows (based on the 1998 Society of Actuaries factors): \$65 per policy for new business, plus \$33 per policy already issued, plus \$1.25 per unit for new business, plus 72% of new business premiums.

(3) Five-year Average Premium Growth Rate in excess of Expense Growth Rate (PEGG) is the average annual difference between the ordinary life premium growth rate and the ordinary life expense growth rate.

(4) Five-year Assets CAGR is the compound annualized growth rate for the Assets over the last 5 years.

(5) Maximum earnings deviation from geometric path is the maximum absolute difference between the net income in each of the previous 5 years and the theoretical net income, if net income had grown at exactly the 5-year net income CAGR, divided by theoretical net income.

(6) & (7) Ordinary Life Expense is equal to line 22 (General Insurance Expenses), column 3 (Life Insurance) in the Analysis of Operations by Lines of Business. Ordinary Life Premium is the sum of lines 1 & 1A (Premiums and Deposit-type funds), column 3, in the Analysis of Operations by Lines of Business. Reserves are the ordinary life reserves gross of reinsurance (Exhibit 8A) in the annual statement.

The fourth scoring driver for the embodiment for universal life insurance products, historical credited rates, is a measure of the composite effects of historical rates. As a measure of the composite effect of historical rates, this scoring driver calculates the value of \$1,000 at the beginning of each year accumulated at the historical credited rates for five years.

The fifth scoring driver for the embodiment for universal life insurance products, company service quality, is based on appropriate industry-sponsored surveys of carrier practices. One such survey is conducted by the Life Office Management Association (LOMA), an insurance trade association based in Atlanta, Georgia. If this survey were to be used as the basis for this scoring driver, four metrics would emerge. The first metric is number of days between application and the offer of insurance. This metric captures one of the most often cited sources of customer satisfaction or dissatisfaction when applying first for a policy. The second metric is telephone service, which is based on a composite score of the following: (1) days per week that customer service is available; (2) average number of calls per customer service representative per day; (3) number of hours a day that customer service is available; and (4) availability of 800 numbers. The third metric is an index of Internet service, consisting of one point for each of the following features: (1) availability of a web page for the carrier; (2) availability of specific product

information on the web page; (3) online quotation availability; (4) online application capability; (5) access to customer account information and policy values; (6) capability to change customer information online (address, beneficiary, etc.); and (7) application status tracking capability. The fourth metric is the number of days to complete standard service functions. This fourth metric is the average of the days to complete each of the following: (1) process a cash loan request; (2) process a cash surrender request; (3) pay an uncontested death claim; and (4) reply to customer correspondence.

The final scoring driver for the embodiment for universal life insurance products is A.M. Best's Ratings, which represent the opinion of one rating agency, A. M. Best Company, as to the insurer's financial strength and ability to meet ongoing obligations to policyholders. .

The product value rating, the individual driver numeric scores, and the scores for all the metrics are all converted to a "normalized" scale between 0 and 5. The higher the score, the better the product value. The product value rating is the weighted average of the six driver scores. For scoring drivers based on more than one metric, the driver score is the weighted average of the scores for each metric.

The weights reflect the relative importance of each of the scoring drivers in evaluating life insurance and annuity products. The weights for each driver, and for each metric within the drivers, are shown in Table A for the embodiment for universal life insurance products.

Table A Weighting Summary

Driver Metric

I. Product Value for Money

40%

IRR – current assumptions, LIMRA lapses	32.5%
IRR – current assumptions, level lapses	32.5%
Planned Premium to Achieve Objective	25%
Product Flexibility	10%

100%

II. Product Stress Tolerance

20%

Ratio of 20-year CSV for midpoint: current assumptions	60%
Years in force at midpoint assumptions	20%
IRR – current assumptions with 50% premium years 4+	20%

100%

III. Management Performance

20%

5-year Average ROE	40%
Actual Ordinary Life Expenses/Generally Recognized Expense Table	20%
5-year Average PEGG	10%
5-year Assets CAGR	10%
Maximum Earnings Deviation from Geometric Path	10%
Ordinary Life Expenses/Ordinary Life Premium	5%
Ordinary Life Expenses/Ordinary Life Reserves	5%

100%

IV. Historical Credited Rates

10%

V. Company Service Quality

5%

Average time to offer	60%
Telephone service	15%
Website capabilities	15%
Response time for standard requests	10%

100%

VI. Best's Rating

5%

Total Weight of Drivers:

100%

For each metric within a scoring driver, a high point and a low point are set. If that metric for any product exceeds the high point, that product's normalized score is set to 5. If the metric is below the low point, the normalized score is set to 0; if it lies between the high and low points, the normalized score is set by linear interpolation.

For Best's ratings, the normalizing methodology is approximated by tabulating 407 companies according to Best's ratings. A++ rated companies' normalized scores are set to 5. A+ rated companies are in the 88th percentile, so their normalized scores are set at 4.4 (88% of 5). A rated companies are in the 53rd percentile, so their normalized scores are set at 2.6, etc. Companies with a rating below B+ have their normalized scores set to 0. Companies on review for upgrade or downgrade may be adjusted halfway up or down to the next normalized score.

Thus, the product value appraisal system 112 simultaneously solicits, prices, and rates, life insurance policy and annuity proposals from insurance carriers. Soliciting, rating and pricing life insurance and annuity policy proposals are conducted in an iterative process. This process is conducted in real-time and preferably continues until optimal product pricing and product ratings have been obtained.

The product value appraisal system 112 continues to provide feedback to the insurance carriers, including rating information and whether the carrier's current bid or proposal meets the customer's minimum requirements. The insurance carrier can then provide a new bid or proposal, taking into consideration the feedback from the product value appraisal system 112. If the insurance carrier believes that its proposal is final, e.g., that it cannot submit a more competitive bid, it provides a final bid or proposal to the product value appraisal system 112.

Insurance carriers transmit their final product proposals to the product value appraisal system 112, as illustrated by step 5 of FIG. 1. Proposals received from insurance carriers must meet or exceed minimum product ratings established at the outset by the product value appraisal system 112. The ratings reflect the product proposal's total value proposition to the proposed insured. The total value proposition of a life insurance or annuity product proposal takes into account, among others, the proposed insured's risk profile together with such detailed information as the insurance product proposal, information on the insurer's financial strength, and information on current market prices.

The product value appraisal system 112 transmits or outputs rated product proposals to the distribution channel, as illustrated by step 6 of FIG. 1. This output includes an appraisal of the entire value proposition for the proposed insured. The appraisal takes such form as a numerical index, an alphabetic grade, or a descriptive phrase such as "superior," "above average," "average," "below-average," or "unacceptable." These results are communicated to the proposed insured by the distribution channel, as illustrated by step 7 of FIG. 1. Appropriate explanatory comments may accompany this information.

Next, the proposed insured makes a purchase decision and communicates that decision to the distribution channel, as illustrated by step 8 of FIG. 1. The proposed insured's purchase decision flows back to the insurance carriers via the distribution channel and the product value appraisal system, as illustrated by steps 9 and 10 of FIG.1.

FIG. 2 illustrates a more detailed view of the parties involved in the valuation system. Insurance carriers 216 (Ins. Co .A, B, C, D, E, F,) represent competing insurance carriers available to propose insurance products to meet customer

requirements according to the present invention. The product value appraisal system 212 for soliciting, pricing, and rating life insurance and annuity product proposals in a real-time, iterative process is shown. The product value appraisal system 212 may also rate the performance of in-force life insurance policies and annuities and measures the value proposition of replacing in-force insurance policies and annuities. Distribution channels 208 include, among others, aggregators, banks, non-bank institutions, bank trusts, insurance agents, brokers, financial planners and advisors, funeral homes, place of employment, affinity groups and other carriers.

In addition, another embodiment of the present invention provides a method of valuing in-force life insurance and annuity policies and rates the continuing value proposition to the policyholder. As shown in FIG. 3, the product value appraisal system 312 collects, processes and uses available information on the insurance policyholder, the in-force policy, and the insurance company that issued the in-force policy to rate the performance of the in-force policy.

Further, if requested by the policyholder, the product value appraisal system 312 determines the value proposition involved in replacing the in-force policy. If a valuation of a replacement policy is requested, the process proceeds in a manner similar to that process described with regard to FIG. 1. For example, the product value appraisal system 312 solicits, auctions and rates replacement life insurance and annuity policy proposals to compare their value proposition to that of the in-force policy. Second, the product value appraisal system 312 calculates whether replacing the in-force policy would create value for the policyholder, particularly in view of the existing in-force policy.

As shown in FIG. 4, it is possible for an entity including a consumer seeking a life insurance or annuity product to invoke the product value appraisal system 412

without the aid of a distribution channel. As shown in step 1 of FIG. 4, a party seeking such a product, the proposed insured, 404 contacts the product value appraisal system 412, typically via a website interface. The proposed insured 404 provides to the product value appraisal system 412 information necessary to request proposals for life insurance or annuity products. This information provided by the proposed insured includes demographic information and information for developing a risk profile of the proposed insured 404 for the product to be evaluated. Demographic and risk profile data may include, for example, the proposed insured's age, sex, smoking habits amount of insurance desired, the pattern of premium payments and the pattern of disbursements desired from the product. A knowledgeable proposed insured may also provide information about the insurance policy sought, including the proposed premiums to be paid and the proposed benefits to be provided. The proposed insured may also include information as to preferred carriers.

Then, the product value appraisal system 412 initiates bidding and/or invites proposals from interested product providers or carriers 416 by sending a proposed opening bid or invitation for proposal to participating insurance carriers 416, as illustrated by step 2 of FIG. 4. The opening bid provided by the product value appraisal system 412 may include an opening price with a minimum product rating.

After initiating bidding or inviting proposals, the product appraisal system 412 proceeds in an on-line, real-time, iterative process with the insurance carriers 416, as illustrated by step 3 of FIG. 4. Upon receipt of a bid or proposal from a participating insurance carrier 416, the product value appraisal system 412 reviews each bid or proposal and rates the bid or proposal and the pricing of each bid or proposal.

With each product proposal, the carrier 416 will transmit information about the price and benefits of its product along with identifying information about itself.

This data includes data about the product's proposed benefits and price on both a guaranteed and illustrated basis, and information about the insurance company proposing the product. Product data include the proposed premiums to be paid and the proposed benefits to be provided, both distinguished between guaranteed amounts and illustrated amounts that depend on assumptions about the future. The insurance company information includes data that quantifies the financial strength of the insurance company. The product value appraisal system 412 will use appropriate actuarial assumptions, such as mortality information specific to the end customer's risk profile, and traditional actuarial present value methodology to determine a numeric rating of the benefits offered in light of the proposed price (Product Value For Money in FIG.1). Numeric ratings will also be assigned to the product's performance under less optimistic assumptions about future interest rates and at lower premium levels (Product Stress Tolerance), various company financial information (Management Performance), previous interest rates actually credited to the product's values (Historical Credited Rates), various qualitative measures of customer service (Customer Service Quality) and to the financial strength of the product provider (e.g., A.M. Best Rating). These ratings will then be weighted to arrive at an overall rating of the customer value proposition. Details of these six scoring drivers and the formulas for the product value appraisal system are as described above for the embodiment for universal life insurance.

Thus, the product value appraisal system 412 simultaneously solicits, prices, and rates, life insurance and annuity policy proposals from insurance carriers 416. Soliciting, rating and pricing these life insurance and annuity policy proposals are conducted in an iterative process. This process is preferably conducted in real-time and continues until optimal product pricing and product ratings have been obtained.

Although each insurance carrier can make one proposal at a time, multiple proposals can also be made by each carrier to generate multiple ratings with multiple prices.

The product value appraisal system 412 continues to provide feedback to the insurance carriers 416, including rating information and whether the carrier's current bid or proposal meets the customer's minimum requirements. The insurance carrier can then provide a new bid or proposal, taking into consideration the feedback from the product value appraisal system 412. If the insurance carrier believes that its proposal is final, *e.g.*, that it cannot submit a more competitive bid, it provides a final bid or proposal to the product value appraisal system 412.

Insurance carriers 416 transmit their final product proposals to the product value appraisal system, as illustrated by step 4 of FIG. 4. Proposals received from insurance carriers 416 must meet or exceed minimum product ratings established at the outset by the product value appraisal system 412. The ratings reflect the insurance or annuity product proposal's total value proposition to the proposed insured 404.

The total value proposition of a life insurance or annuity product proposal takes into account the proposed insured's risk profile together with detailed information about the life insurance or annuity product proposal, information on the insurer's financial strength, and information on current market prices.

The product value appraisal system 412 transmits rated product proposals to the proposed insured, as illustrated by step 5 of FIG. 4. This output includes an appraisal of the entire value proposition for the proposed insured 404. The appraisal takes such form as a numerical index, an alphabetic grade, or a descriptive phrase such as "superior," "above average," "average," "below-average," or "unacceptable." Appropriate explanatory comments may accompany this information.

Next, the proposed insured 404 may make a purchase decision and communicate that decision to the product value appraisal system 412, as illustrated by step 6 of FIG. 4. The proposed insured's purchase decision flows back to the insurance carriers 416 via the product value appraisal system 412, as illustrated by step 7 of FIG. 4.

Figure 5 illustrates an embodiment of the invention appraising the value proposition for replacing an in-force policy. As shown in FIG. 5, it is possible for the holder of an existing policy to query the policy appraisal system or product value appraisal system 512 to appraise the value of the in-force policy and also appraise the value proposition for replacing the in-force policy. As shown in FIG. 5, step 1, the policyholder 504 contacts a distribution channel 508 to assist in obtaining such appraisal. The distribution channel then contacts the product value appraisal system 512, as shown in step 2.

The product value appraisal system 512 then collects, processes and uses available information on the insurance policyholder, the in-force policy, and the insurance company that issued the in-force policy to rate the performance of the in-force policy. The product value appraisal system 512 uses appropriate actuarial assumptions, such as mortality information specific to the end customer's risk profile, and traditional actuarial present value methodology to determine a numeric rating of the benefits offered in light of the price (Product Value For Money in FIG. 1). Numeric ratings will also be assigned to the product's performance under less optimistic assumptions about future interest rates and at lower premium levels (Product Stress Tolerance), various company financial information (Management Performance), previous interest rates actually credited to the product's values (Historical Credited Rates), various qualitative measures of customer service

(Customer Service Quality) and to the financial strength of the product provider (e.g., A.M. Best Rating). These ratings will then be weighted to arrive at an overall rating of the customer value proposition. Details of these six scoring drivers and the formulas for the product value appraisal system are as described above for the embodiment for universal life insurance products. Information regarding the rating and value proposition are transmitted to the policyholder 504 via the distribution channel 508.

The product value appraisal system 512 also conducts a similar appraisal for a proposed replacement policy. If requested by the policyholder 504 via the distribution channel or by the distribution channel 508, the product value appraisal system 512 can solicit life insurance and annuity policy proposals from insurance carriers in the iterative processed described with regard to FIG. 1. Similarly, the policyholder 504 may provide information regarding the replacement policy under consideration to the product value appraisal system via the distribution channel 508, as illustrated by steps 5 and 6.

Although FIG. 5 illustrates a policyholder invoking the product value appraisal system via a distribution channel, it is possible for the policyholder to contact the product value appraisal system directly to conduct an analysis of an in-force policy and appraisal of the value proposition for replacing the in-force policy.

As shown in FIG. 6, it is possible for the holder of an existing policy to query the product value appraisal system to value the in-force policy without the aid of a distribution channel. As shown in FIG. 6, the policyholder 604 contacts the product value appraisal system 612, for example, via a website. The product value appraisal system 612 then collects, processes and uses available information on the insurance

policyholder, the in-force policy, and the insurance company that issued the in-force policy to rate the performance of the in-force policy.

Further, if requested by the policyholder, the product value appraisal system 512 determines the value proposition involved in replacing the in-force policy. If a valuation of a replacement policy is requested, the process proceeds in a manner similar to that process described with regard to FIG. 4. For example, the valuation system solicits, auctions and rates replacement insurance policy proposals to compare their value proposition to that of the in-force policy. Second, the invention calculates whether replacing the in-force policy would create value for the policyholder, particularly in view of the existing in-force policy.

Revenues for use of the product value appraisal system are generated from subscription fees from life insurance product or annuity providers for participation in the auction process, transaction fees from the providers for the processing of bids and appraising the customer value proposition of proposals submitted, transaction fees from the distribution channel to receive the output from valuation system, and data subscription fees from the product providers to access the market intelligence data that will accumulate over time. Moreover, the valuation system may be provided as value-added services to the distribution channels, or to consumers directly, who pay a fee to use the service.

An example of the valuation system of the present invention is provided. John Consumer is reviewing his estate plan with his personal, fee-based financial advisor. The advisor recommends the purchase of an additional \$250,000 of life insurance in an irrevocable trust to replace assets transferred to a Charitable Remainder Trust. Because it is not known when Mr. Consumer will die, a permanent (as opposed to term) form of insurance is recommended. Following some discussions

of the various forms of permanent coverage, it is agreed to seek the best available life product to fill the need.

The financial advisor then goes on-line to the web site which places the financial advisor in contact with the product value appraisal system and commences a search for the best value for his client using the value appraisal system. In this example, the distribution channel is the financial advisor. As the distribution channel, the financial advisor, in response to prompts by the web site interface, enters the following information which is transmitted to the product value appraisal system: (1) risk profile data about John Consumer including, inter alia, his present age (45), sex (male), and smoking status (non-smoker); (2) the purpose of the proposed insurance (asset replacement to preserve his estate); (3) the desired pattern of premium payments (for life); (4) the disbursements desired from the policy (none prior to payment of the death benefit); and (5) face amount and type of product for which proposals are desired (\$250,000 of life insurance).

The website receives the information and invokes the product value appraisal system, which opens an on-line, real-time proposal solicitation process for interested carriers. These proposals include, inter alia, policy illustrations showing the target premiums, guaranteed and illustrated benefits and cash values at select points in the future, and identifying information about the proposing carrier. Proposals are received from four carriers (A, B, C, and D). The product value appraisal system conducts an overall appraisal of the proposals received.

Product Value for Money

The cash flow was projected for the group of policyholders, using an industry mortality rate for nonsmokers of this policy size, and lapses (a) according to the LIMRA tables, as shown in Table B and (b) 5%, as shown in Tables C1-C4.

Table B
Product Value for Money

Mortality and LIMRA Lapse rates per 1,000							
<u>Age</u>	<u>Duration</u>	<u>Mortality Rate</u>	<u>Lapse Rate</u>	<u>Age</u>	<u>Duration</u>	<u>Mortality Rate</u>	<u>Lapse Rate</u>
45	1	0.40	59	77	33	40.15	42
46	2	0.59	69	78	34	44.46	42
47	3	0.78	51	79	35	49.29	42
48	4	0.98	65	80	36	54.43	42
49	5	1.24	57	81	37	59.90	42
50	6	1.60	29	82	38	65.32	42
51	7	2.02	42	83	39	70.91	42
52	8	2.49	42	84	40	77.59	42
53	9	2.94	42	85	41	85.53	42
54	10	3.44	42	86	42	95.14	42
55	11	3.85	42	87	43	105.23	42
56	12	4.46	42	88	44	115.29	42
57	13	5.17	42	89	45	124.98	42
58	14	5.63	42	90	46	134.61	42
59	15	6.18	42	91	47	146.21	42
60	16	7.13	42	92	48	159.13	42
61	17	8.07	42	93	49	175.52	42
62	18	9.10	42	94	50	192.61	42
63	19	10.26	42	95	51	207.65	42
64	20	11.35	42	96	52	219.62	42
65	21	12.53	42	97	53	224.00	42
66	22	13.67	42	98	54	230.49	42
67	23	14.81	42	99	55	238.19	761.81
68	24	15.85	42				
69	25	16.96	42				
70	26	21.03	42				
71	27	22.98	42				
72	28	25.18	42				
73	29	27.60	42				
74	30	30.27	42				
75	31	33.01	42				
76	32	36.25	42				

Note: Lapse rate at age 99 is to ensure that all policyholders lapse.

5

In each year, the cash flow is:

Premiums for lives in force at the beginning of the year, less

Expected deaths in the year multiplied by the Face Amount, less

Expected surrenders in the year multiplied by the Cash Surrender Value.

Internal rates of return are then calculated. A commercial software product, such as Microsoft Excel, which has an IRR function, may be used for each product

5 based on the cash flows. Using the LIMRA lapse assumptions, for example,

Company D the highest IRR at 6.616%, and Company A has the lowest IRR at

5.073%. The high point is set at 6.5% and the low point at 4.5%. Company D, being above the high point, receives a normalized score of 5. Company A, by interpolation,

receives a normalized score of 1.4325, rounded to 1.4. A similar process is used for

10 the flat 5% lapse assumption. The IRR calculations for each of the Companies A, B, C, and D are shown in Tables C1-C4.

Table C1
Product Value for Money -- Calculation of IRR -- LIMRA Lapses

Company A							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	2,125	526	0	250,000	2,027.14	5.073%
46	2	2,125	2,002	0	250,000	1,864.09	
47	3	2,125	3,566	0	250,000	1,693.07	
48	4	2,125	5,223	0	250,000	1,565.67	
49	5	2,125	6,959	567	250,000	1,388.14	
50	6	2,125	8,827	2,751	250,000	1,205.97	
51	7	2,125	10,813	5,064	250,000	1,003.19	
52	8	2,125	12,894	7,483	250,000	812.31	
53	9	2,125	15,098	10,037	250,000	635.74	
54	10	2,125	17,426	12,732	250,000	463.23	
55	11	2,125	19,850	16,396	250,000	291.96	
56	12	2,125	22,296	19,944	250,000	111.58	
57	13	2,125	24,852	23,446	250,000	(65.26)	
58	14	2,125	27,524	26,908	250,000	(193.46)	
59	15	2,125	30,338	30,338	250,000	(319.55)	
60	16	2,125	33,278	33,278	250,000	(469.45)	
61	17	2,125	36,352	36,352	250,000	(603.74)	
62	18	2,125	39,560	39,560	250,000	(734.97)	
63	19	2,125	42,908	42,908	250,000	(865.03)	
64	20	2,125	46,398	46,398	250,000	(974.62)	
65	21	2,125	50,054	50,054	250,000	(1,079.20)	
66	22	2,125	53,858	53,858	250,000	(1,167.40)	
67	23	2,125	57,809	57,809	250,000	(1,243.07)	
68	24	2,125	61,906	61,906	250,000	(1,299.40)	
69	25	2,125	66,140	66,140	250,000	(1,350.62)	
70	26	2,125	70,502	70,502	250,000	(1,582.22)	
71	27	2,125	74,977	74,977	250,000	(1,647.34)	
72	28	2,125	79,545	79,545	250,000	(1,708.99)	
73	29	2,125	84,179	84,179	250,000	(1,763.59)	
74	30	2,125	88,573	88,573	250,000	(1,808.46)	
75	31	2,125	93,055	93,055	250,000	(1,837.56)	
76	32	2,125	97,548	97,548	250,000	(1,868.36)	

Company A							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
77	33	2,125	102,043	102,043	250,000	(1,902.89)	
78	34	2,125	106,540	16,540	250,000	(1,384.83)	
79	35	2,125	111,037	111,037	250,000	(1,942.39)	
80	36	2,125	115,538	115,538	250,000	(1,939.12)	
81	37	2,125	120,047	120,047	250,000	(1,918.18)	
82	38	2,125	124,572	124,572	250,000	(1,870.75)	
83	39	2,125	129,126	129,126	250,000	(1,805.84)	
84	40	2,125	133,719	133,719	250,000	(1,742.95)	
85	41	2,125	138,369	138,369	250,000	(1,679.76)	
86	42	2,125	143,094	143,094	250,000	(1,616.67)	
87	43	2,125	147,917	147,917	250,000	(1,531.49)	
88	44	2,125	152,871	152,871	250,000	(1,422.26)	
89	45	2,125	158,001	158,001	250,000	(1,293.41)	
90	46	2,125	163,372	163,372	250,000	(1,156.21)	
91	47	2,125	169,070	169,070	250,000	(1,029.28)	
92	48	2,125	175,208	175,208	250,000	(905.19)	
93	49	2,125	181,934	181,934	250,000	(792.92)	
94	50	2,125	188,913	188,913	250,000	(677.31)	
95	51	2,125	197,239	197,239	250,000	(557.51)	
96	52	2,125	207,171	207,171	250,000	(442.56)	
97	53	2,125	219,020	219,020	250,000	(335.01)	
98	54	2,125	233,154	233,154	250,000	(254.31)	
99	55	2,125	250,016	250,016	250,016	(595.21)	

Table C2
Product Value for Money -- Calculation of IRR -- LIMRA Lapses

Company B							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	1,953	909	0	250,000	1,855.14	6.185%
46	2	1,953	2,409	0	250,000	1,702.31	
47	3	1,953	3,972	0	250,000	1,542.54	
48	4	1,953	5,638	663	250,000	1,387.20	
49	5	1,953	7,434	2,911	250,000	1,151.34	
50	6	1,953	9,465	5,394	250,000	1,024.52	
51	7	1,953	11,611	7,992	250,000	794.56	
52	8	1,953	13,879	10,713	250,000	604.31	
53	9	1,953	16,275	13,561	250,000	429.05	
54	10	1,953	18,803	16,541	250,000	258.47	
55	11	1,953	21,446	19,637	250,000	110.56	
56	12	1,953	24,203	22,847	250,000	(53.52)	
57	13	1,953	27,068	26,164	250,000	(218.51)	
58	14	1,953	30,045	29,593	250,000	(338.77)	
59	15	1,953	33,139	33,139	250,000	(460.29)	
60	16	1,953	36,357	36,537	250,000	(612.25)	
61	17	1,953	39,699	39,699	250,000	(741.12)	
62	18	1,953	43,164	43,164	250,000	(869.93)	
63	19	1,953	46,756	46,756	250,000	(997.11)	
64	20	1,953	50,474	50,474	250,000	(1,103.34)	
65	21	1,953	54,284	54,284	250,000	(1,203.31)	
66	22	1,953	58,225	58,225	250,000	(1,286.63)	
67	23	1,953	62,293	62,293	250,000	(1,357.18)	
68	24	1,953	66,487	66,487	250,000	(1,408.21)	
69	25	1,953	70,804	70,804	250,000	(1,454.08)	
70	26	1,953	75,241	75,241	250,000	(1,680.31)	
71	27	1,953	79,781	79,781	250,000	(1,739.86)	
72	28	1,953	84,421	84,421	250,000	(1,796.15)	
73	29	1,953	89,158	89,158	250,000	(1,845.76)	
74	30	1,953	93,985	93,985	250,000	(1,888.48)	
75	31	1,953	98,880	98,880	250,000	(1,914.94)	
76	32	1,953	103,828	103,828	250,000	(1,943.12)	

Company B							
Age	Duration	Premium	AV	CSV	DB	Cash Flow	IRR
77	33	1,953	108,814	108,814	250,000	(1,974.94)	
78	34	1,953	113,823	113,823	250,000	(1,996.37)	
79	35	1,953	118,843	118,843	250,000	(2,008.32)	
80	36	1,953	123,863	123,863	250,000	(2,001.52)	
81	37	1,953	128,878	128,878	250,000	(1,976.72)	
82	38	1,953	133,890	133,890	250,000	(1,925.18)	
83	39	1,953	138,900	138,900	250,000	(1,855.96)	
84	40	1,953	143,895	143,895	250,000	(1,788.58)	
85	41	1,953	148,866	148,866	250,000	(1,720.70)	
86	42	1,953	153,818	153,818	250,000	(1,652.81)	
87	43	1,953	158,755	158,755	250,000	(1,562.79)	
88	44	1,953	163,689	163,689	250,000	(1,448.82)	
89	45	1,953	168,654	168,654	250,000	(1,315.47)	
90	46	1,953	173,705	173,705	250,000	(1,174.12)	
91	47	1,953	178,990	178,990	250,000	(1,043.56)	
92	48	1,953	184,626	184,626	250,000	(916.32)	
93	49	1,953	190,769	190,769	250,000	(801.38)	
94	50	1,953	197,629	197,629	250,000	(683.83)	
95	51	1,953	204,973	204,973	250,000	(562.11)	
96	52	1,953	213,158	213,158	250,000	(445.51)	
97	53	1,953	222,747	222,747	250,000	(336.72)	
98	54	1,953	234,628	234,628	250,000	(255.23)	
99	55	1,953	250,248	250,248	250,048	(596.19)	

Table C3
Product Value for Money -- Calculation of IRR -- LIMRA Lapses

Company C							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	2,048	1,044	0	250,000	1,950.14	5.182%
46	2	2,048	2,589	0	250,000	1,791.66	
47	3	2,048	4,174	0	250,000	1,625.68	
48	4	2,048	5,823	0	250,000	1,501.78	
49	5	2,048	7,551	1,227	250,000	1,299.32	
50	6	2,048	9,369	3,045	250,000	1,143.55	
51	7	2,048	11,288	4,963	250,000	951.70	
52	8	2,048	13,313	6,988	250,000	774.27	
53	9	2,048	15,446	9,122	250,000	610.78	
54	10	2,048	17,688	11,364	250,000	451.10	
55	11	2,048	20,031	14,339	250,000	297.40	
56	12	2,048	22,451	17,391	250,000	128.44	
57	13	2,048	24,934	20,507	250,000	(40.53)	
58	14	2,048	27,484	23,689	250,000	(163.93)	
59	15	2,048	30,102	26,939	250,000	(287.78)	
60	16	2,048	32,752	30,222	250,000	(445.88)	
61	17	2,048	35,494	33,596	250,000	(586.89)	
62	18	2,048	38,330	37,065	250,000	(723.54)	
63	19	2,048	41,265	40,633	250,000	(857.86)	
64	20	2,048	44,303	44,303	250,000	(970.67)	
65	21	2,048	47,421	47,421	250,000	(1,067.49)	
66	22	2,048	50,616	50,616	250,000	(1,147.79)	
67	23	2,048	53,904	53,904	250,000	(1,215.79)	
68	24	2,048	57,293	57,293	250,000	(1,264.85)	
69	25	2,048	60,782	60,782	250,000	(1,309.34)	
70	26	2,048	64,369	64,369	250,000	(1,534.93)	
71	27	2,048	68,055	68,055	250,000	(1,594.93)	
72	28	2,048	71,843	71,843	250,000	(1,652.53)	
73	29	2,048	75,734	75,734	250,000	(1,704.32)	
74	30	2,048	79,724	79,724	250,000	(1,750.03)	
75	31	2,048	83,809	83,809	250,000	(1,780.38)	
76	32	2,048	87,983	87,983	250,000	(1,813.30)	

Company C							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
77	33	2,048	92,240	92,240	250,000	(1,850.69)	
78	34	2,048	96,575	96,575	250,000	(1,878.47)	
79	35	2,048	100,987	100,987	250,000	(1,897.52)	
80	36	2,048	105,476	105,476	250,000	(1,898.42)	
81	37	2,048	110,047	110,047	250,000	(1,881.81)	
82	38	2,048	114,711	114,711	250,000	(1,838.75)	
83	39	2,048	119,482	119,482	250,000	(1,778.16)	
84	40	2,048	124,363	124,363	250,000	(1,719.41)	
85	41	2,048	129,360	129,360	250,000	(1,660.10)	
86	42	2,048	134,488	134,488	250,000	(1,600.60)	
87	43	2,048	139,768	139,768	250,000	(1,518.66)	
88	44	2,048	145,231	145,231	250,000	(1,412.29)	
89	45	2,048	150,929	150,929	250,000	(1,285.90)	
90	46	2,048	156,935	156,935	250,000	(1,150.76)	
91	47	2,048	163,342	163,342	250,000	(1,025.55)	
92	48	2,048	170,263	170,263	250,000	(902.82)	
93	49	2,048	177,843	177,843	250,000	(791.59)	
94	50	2,048	186,264	186,264	250,000	(677.00)	
95	51	2,048	195,758	195,758	250,000	(557.72)	
96	52	2,048	206,617	206,617	250,000	(442.98)	
97	53	2,048	219,221	219,221	250,000	(335.47)	
98	54	2,048	234,056	234,056	250,000	(254.76)	
99	55	2,048	251,745	251,745	251,745	(599.60)	

Table C4
Product Value for Money -- Calculation of IRR -- LIMRA Lapses

Company D							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	1,648	1,387	-	250,000	1,550.14	6.616%
46	2	1,648	2,800	-	250,000	1,415.43	
47	3	1,648	4,242	-	250,000	1,275.62	
48	4	1,648	5,717	-	250,000	1,169.85	
49	5	1,648	7,255	523	250,000	1,020.37	
50	6	1,648	8,833	2,435	250,000	864.48	
51	7	1,648	10,482	4,430	250,000	684.49	
52	8	1,648	12,180	6,487	250,000	517.91	
53	9	1,648	13,929	8,609	250,000	366.15	
54	10	1,648	15,705	10,772	250,000	219.51	
55	11	1,648	17,453	12,923	250,000	96.68	
56	12	1,648	19,174	15,062	250,000	(41.58)	
57	13	1,648	21,011	17,333	250,000	(183.69)	
58	14	1,648	22,969	19,744	250,000	(283.86)	
59	15	1,648	25,058	22,308	250,000	(388.04)	
60	16	1,648	27,287	25,032	250,000	(530.53)	
61	17	1,648	29,664	27,932	250,000	(658.69)	
62	18	1,648	32,200	31,012	250,000	(785.00)	
63	19	1,648	34,905	34,295	250,000	(911.51)	
64	20	1,648	37,790	37,790	250,000	(1,018.82)	
65	21	1,648	40,816	40,816	250,000	(1,111.76)	
66	22	1,648	43,943	43,943	250,000	(1,188.75)	
67	23	1,648	47,230	47,230	250,000	(1,254.51)	
68	24	1,648	50,616	50,616	250,000	(1,301.37)	
69	25	1,648	54,111	54,111	250,000	(1,343.86)	
70	26	1,648	57,657	57,657	250,000	(1,567.12)	
71	27	1,648	61,286	61,286	250,000	(1,624.57)	
72	28	1,648	65,034	65,034	250,000	(1,679.92)	
73	29	1,648	68,893	68,893	250,000	(1,729.66)	
74	30	1,648	72,878	72,878	250,000	(1,773.65)	
75	31	1,648	76,961	76,961	250,000	(1,802.34)	
76	32	1,648	81,159	81,159	250,000	(1,833.87)	

Company D							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
77	33	1,648	85,490	85,490	250,000	(1,870.23)	
78	34	1,648	89,913	89,913	250,000	(1,897.03)	
79	35	1,648	94,450	94,450	250,000	(1,915.25)	
80	36	1,648	99,103	99,103	250,000	(1,915.43)	
81	37	1,648	103,843	103,843	250,000	(1,898.02)	
82	38	1,648	108,731	108,731	250,000	(1,854.28)	
83	39	1,648	113,745	113,745	250,000	(1,792.95)	
84	40	1,648	118,901	118,901	250,000	(1,733.46)	
85	41	1,648	124,220	124,220	250,000	(1,673.43)	
86	42	1,648	129,756	129,756	250,000	(1,613.27)	
87	43	1,648	135,527	135,527	250,000	(1,530.66)	
88	44	1,648	141,585	141,585	250,000	(1,423.60)	
89	45	1,648	147,976	147,976	250,000	(1,296.48)	
90	46	1,648	154,755	154,755	250,000	(1,160.54)	
91	47	1,648	161,991	161,991	250,000	(1,034.44)	
92	48	1,648	169,755	169,755	250,000	(910.71)	
93	49	1,648	178,135	178,135	250,000	(798.41)	
94	50	1,648	187,254	187,254	250,000	(682.68)	
95	51	1,648	197,236	197,236	250,000	(562.25)	
96	52	1,648	208,253	208,253	250,000	(446.42)	
97	53	1,648	220,519	220,519	250,000	(337.94)	
98	54	1,648	234,314	234,314	250,000	(256.41)	
99	55	1,648	250,002	250,002	250,002	(596.58)	

Calculation of IRR based on a level lapse rate are shown in Tables D1-D4.

Table D1
Product Value for Money -- Calculation of IRR -- Level Lapses

Company A							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	2,125	526	0	250,000	2,026.69	4.806%
46	2	2,125	2,002	0	250,000	1,880.59	
47	3	2,125	3,566	0	250,000	1,744.08	
48	4	2,125	5,223	0	250,000	1,613.06	
49	5	2,125	6,959	567	250,000	1,456.88	
50	6	2,125	8,827	2,751	250,000	1,231.80	
51	7	2,125	10,813	5,064	250,000	1,007.95	
52	8	2,125	12,894	7,483	250,000	792.20	
53	9	2,125	15,098	10,037	250,000	594.93	
54	10	2,125	17,426	12,732	250,000	405.41	
55	1	2,125	19,850	16,396	250,000	216.78	
56	12	2,125	22,296	19,944	250,000	24.34	
57	13	2,125	24,852	23,446	250,000	(159.84)	
58	14	2,125	27,524	26,908	250,000	(292.34)	
59	15	2,125	30,338	30,338	250,000	(419.27)	
60	16	2,125	33,278	33,278	250,000	(563.88)	
61	17	2,125	36,352	36,352	250,000	(690.84)	
62	18	2,125	39,560	39,560	250,000	(812.29)	
63	19	2,125	42,908	42,908	250,000	(930.11)	
64	20	2,125	46,398	46,398	250,000	(1,026.55)	
65	21	2,125	50,054	50,054	250,000	(1,116.30)	
66	22	2,125	53,858	53,858	250,000	(1,189.14)	
67	23	2,125	57,809	57,809	250,000	(1,248.93)	
68	24	2,125	61,906	61,906	250,000	(1,289.93)	
69	25	2,125	66,140	66,140	250,000	(1,325.16)	
70	26	2,125	70,502	70,502	250,000	(1,517.01)	
71	27	2,125	74,977	74,977	250,000	(1,560.13)	
72	28	2,125	79,545	79,545	250,000	(1,598.79)	
73	29	2,125	84,179	84,179	250,000	(1,629.99)	
74	30	2,125	88,573	88,573	250,000	(1,651.26)	
75	31	2,125	93,055	93,055	250,000	(1,658.30)	
76	32	2,125	97,548	97,548	250,000	(1,665.94)	

Company A							
Age	Duration	Premium	AV	CSV	DB	Cash Flow	IRR
77	33	2,125	102,043	102,043	250,000	(1,675.80)	
78	34	2,125	106,540	16,540	250,000	(1,146.61)	
79	35	2,125	111,037	111,037	250,000	(1,669.07)	
80	36	2,125	115,538	115,538	250,000	(1,646.39)	
81	37	2,125	120,047	120,047	250,000	(1,609.52)	
82	38	2,125	124,572	124,572	250,000	(1,551.99)	
83	39	2,125	129,126	129,126	250,000	(1,481.50)	
84	40	2,125	133,719	133,719	250,000	(1,413.59)	
85	41	2,125	138,369	138,369	250,000	(1,346.42)	
86	42	2,125	143,094	143,094	250,000	(1,280.33)	
87	43	2,125	147,917	147,917	250,000	(1,198.61)	
88	44	2,125	152,871	152,871	250,000	(1,100.39)	
89	45	2,125	158,001	158,001	250,000	(989.56)	
90	46	2,125	163,372	163,372	250,000	(874.88)	
91	47	2,125	169,070	169,070	250,000	(770.06)	
92	48	2,125	175,208	175,208	250,000	(669.52)	
93	49	2,125	181,934	181,934	250,000	(579.56)	
94	50	2,125	188,913	188,913	250,000	(489.22)	
95	51	2,125	197,239	197,239	250,000	(398.10)	
96	52	2,125	207,171	207,171	250,000	(312.54)	
97	53	2,125	219,020	219,020	250,000	(234.19)	
98	54	2,125	233,154	233,154	250,000	(175.96)	
99	55	2,125	250,016	250,016	250,016	(398.31)	

Table D2
Product Value for Money -- Calculation of IRR -- Level Lapses

Company B							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	1,953	909	0	250,000	1,854.69	6.034%
46	2	1,953	2,409	0	250,000	1,717.26	
47	3	1,953	3,972	0	250,000	1,589.02	
48	4	1,953	5,638	663	250,000	1,437.51	
49	5	1,953	7,434	2,911	250,000	1,222.06	
50	6	1,953	9,465	5,394	250,000	997.53	
51	7	1,953	11,611	7,992	250,000	775.38	
52	8	1,953	13,879	10,713	250,000	561.31	
53	9	1,953	16,275	13,561	250,000	366.54	
54	10	1,953	18,803	16,541	250,000	180.30	
55	11	1,953	21,446	19,637	250,000	20.41	
56	12	1,953	24,203	22,847	250,000	(152.05)	
57	13	1,953	27,068	26,164	250,000	(321.74)	
58	14	1,953	30,045	29,593	250,000	(444.47)	
59	15	1,953	33,139	33,139	250,000	(565.64)	
60	16	1,953	36,357	36,537	250,000	(712.11)	
61	17	1,953	39,699	39,699	250,000	(832.40)	
62	18	1,953	43,164	43,164	250,000	(950.64)	
63	19	1,953	46,756	46,756	250,000	(1,064.74)	
64	20	1,953	50,474	50,474	250,000	(1,156.97)	
65	21	1,953	54,284	54,284	250,000	(1,241.18)	
66	22	1,953	58,225	58,225	250,000	(1,308.26)	
67	23	1,953	62,293	62,293	250,000	(1,362.10)	
68	24	1,953	66,487	66,487	250,000	(1,397.02)	
69	25	1,953	70,804	70,804	250,000	(1,426.20)	
70	26	1,953	75,241	75,241	250,000	(1,612.04)	
71	27	1,953	79,781	79,781	250,000	(1,649.05)	
72	28	1,953	84,421	84,421	250,000	(1,681.88)	
73	29	1,953	89,158	89,158	250,000	(1,707.74)	
74	30	1,953	93,985	93,985	250,000	(1,726.57)	
75	31	1,953	98,880	98,880	250,000	(1,730.72)	
76	32	1,953	103,828	103,828	250,000	(1,735.51)	

Company B							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
77	33	1,953	108,814	108,814	250,000	(1,742.48)	
78	34	1,953	113,823	113,823	250,000	(1,740.08)	
79	35	1,953	118,843	118,843	250,000	(1,729.34)	
80	36	1,953	123,863	123,863	250,000	(1,703.06)	
81	37	1,953	128,878	128,878	250,000	(1,662.33)	
82	38	1,953	133,890	133,890	250,000	(1,600.74)	
83	39	1,953	138,900	138,900	250,000	(1,526.07)	
84	40	1,953	143,895	143,895	250,000	(1,453.84)	
85	41	1,953	148,866	148,866	250,000	(1,382.25)	
86	42	1,953	153,818	153,818	250,000	(1,311.68)	
87	43	1,953	158,755	158,755	250,000	(1,225.52)	
88	44	1,953	163,689	163,689	250,000	(1,123.00)	
89	45	1,953	168,654	168,654	250,000	(1,008.15)	
90	46	1,953	173,705	173,705	250,000	(889.81)	
91	47	1,953	178,990	178,990	250,000	(781.83)	
92	48	1,953	184,626	184,626	250,000	(678.58)	
93	49	1,953	190,769	190,769	250,000	(586.37)	
94	50	1,953	197,629	197,629	250,000	(494.41)	
95	51	1,953	204,973	204,973	250,000	(401.70)	
96	52	1,953	213,158	213,158	250,000	(314.80)	
97	53	1,953	222,747	222,747	250,000	(235.46)	
98	54	1,953	234,628	234,628	250,000	(176.61)	
99	55	1,953	250,248	250,248	250,048	(398.97)	

Table D3
Product Value for Money -- Calculation of IRR -- Level Lapses

Company C							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
46	1	2,048	1,044	0	250,000	1,949.69	4.891%
46	2	2,048	2,589	0	250,000	1,807.47	
47	3	2,048	4,174	0	250,000	1,674.66	
48	4	2,048	5,823	0	250,000	1,547.16	
49	5	2,048	7,551	1,227	250,000	1,367.56	
50	6	2,048	9,369	3,045	250,000	1,161.15	
51	7	2,048	11,288	4,963	250,000	955.37	
52	8	2,048	13,313	6,988	250,000	755.98	
53	9	2,048	15,446	9,122	250,000	574.37	
54	10	2,048	17,688	11,364	250,000	399.99	
55	11	2,048	20,031	14,339	250,000	231.88	
56	12	2,048	22,451	17,391	250,000	52.38	
57	13	2,048	24,934	20,507	250,000	(123.22)	
58	14	2,048	27,484	23,689	250,000	(250.81)	
59	15	2,048	30,102	26,939	250,000	(375.86)	
60	16	2,048	32,752	30,222	250,000	(530.52)	
61	17	2,048	35,494	33,596	250,000	(665.66)	
62	18	2,048	38,330	37,065	250,000	(793.72)	
63	19	2,048	41,265	40,633	250,000	(916.72)	
64	20	2,048	44,303	44,303	250,000	(1,017.10)	
65	21	2,048	47,421	47,421	250,000	(1,098.71)	
66	22	2,048	50,616	50,616	250,000	(1,163.41)	
67	23	2,048	53,904	53,904	250,000	(1,215.43)	
68	24	2,048	57,293	57,293	250,000	(1,249.20)	
69	25	2,048	60,782	60,782	250,000	(1,277.90)	
70	26	2,048	64,369	64,369	250,000	(1,464.07)	
71	27	2,048	68,055	68,055	250,000	(1,502.54)	
72	28	2,048	71,843	71,843	250,000	(1,537.73)	
73	29	2,048	75,734	75,734	250,000	(1,566.79)	
74	30	2,048	79,724	79,724	250,000	(1,589.64)	
75	31	2,048	83,809	83,809	250,000	(1,598.64)	
76	32	2,048	87,983	87,983	250,000	(1,609.07)	

Company C							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
77	33	2,048	92,240	92,240	250,000	(1,622.42)	
78	34	2,048	96,575	96,575	250,000	(1,627.09)	
79	35	2,048	100,987	100,987	250,000	(1,624.02)	
80	36	2,048	105,476	105,476	250,000	(1,605.88)	
81	37	2,048	110,047	110,047	250,000	(1,573.63)	
82	38	2,048	114,711	114,711	250,000	(1,520.67)	
83	39	2,048	119,482	119,482	250,000	(1,454.62)	
84	40	2,048	124,363	124,363	250,000	(1,390.89)	
85	41	2,048	129,360	129,360	250,000	(1,327.61)	
86	42	2,048	134,488	134,488	250,000	(1,265.04)	
87	43	2,048	139,768	139,768	250,000	(1,186.48)	
88	44	2,048	145,231	145,231	250,000	(1,091.00)	
89	45	2,048	150,929	150,929	250,000	(982.52)	
90	46	2,048	156,935	156,935	250,000	(869.78)	
91	47	2,048	163,342	163,342	250,000	(766.55)	
92	48	2,048	170,263	170,263	250,000	(667.26)	
93	49	2,048	177,843	177,843	250,000	(578.26)	
94	50	2,048	186,264	186,264	250,000	(488.83)	
95	51	2,048	195,758	195,758	250,000	(398.17)	
96	52	2,048	206,617	206,617	250,000	(312.81)	
97	53	2,048	219,221	219,221	250,000	(234.52)	
98	54	2,048	234,056	234,056	250,000	(176.28)	
99	55	2,048	251,745	251,745	251,745	(401.25)	

Table D4
Product Value for Money -- Calculation of IRR -- Level Lapses

Company D							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	1,648	1,387	0	250,000	1,549.69	6.335%
46	2	1,648	2,800	0	250,000	1,427.63	
47	3	1,648	4,242	0	250,000	1,314.04	
48	4	1,648	5,717	0	250,000	1,204.85	
49	5	1,648	7,255	523	250,000	1,071.27	
50	6	1,648	8,833	2,435	250,000	876.42	
51	7	1,648	10,482	4,430	250,000	682.52	
52	8	1,648	12,180	6,487	250,000	496.22	
53	9	1,648	13,929	8,609	250,000	328.63	
54	10	1,648	15,705	10,772	250,000	169.71	
55	11	1,648	17,453	12,923	250,000	38.09	
56	12	1,648	19,174	15,062	250,000	(105.62)	
57	13	1,648	21,011	17,333	250,000	(250.46)	
58	14	1,648	22,969	19,744	250,000	(351.92)	
59	15	1,648	25,058	22,308	250,000	(455.32)	
60	16	1,648	27,287	25,032	250,000	(593.21)	
61	17	1,648	29,664	27,932	250,000	(714.96)	
62	18	1,648	32,200	31,012	250,000	(832.59)	
63	19	1,648	34,905	34,295	250,000	(948.10)	
64	20	1,648	37,790	37,790	250,000	(1,043.62)	
65	21	1,648	40,816	40,816	250,000	(1,122.18)	
66	22	1,648	43,943	43,943	250,000	(1,184.43)	
67	23	1,648	47,230	47,230	250,000	(1,235.16)	
68	24	1,648	50,616	50,616	250,000	(1,267.66)	
69	25	1,648	54,111	54,111	250,000	(1,295.26)	
70	26	1,648	57,657	57,657	250,000	(1,479.95)	
71	27	1,648	61,286	61,286	250,000	(1,516.76)	
72	28	1,648	65,034	65,034	250,000	(1,550.58)	
73	29	1,648	68,893	68,893	250,000	(1,578.46)	
74	30	1,648	72,878	72,878	250,000	(1,600.44)	
75	31	1,648	76,961	76,961	250,000	(1,608.63)	
76	32	1,648	81,159	81,159	250,000	(1,618.48)	

Company D

<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
77	33	1,648	85,490	85,490	250,000	(1,631.59)	
78	34	1,648	89,913	89,913	250,000	(1,636.04)	
79	35	1,648	94,450	94,450	250,000	(1,632.88)	
80	36	1,648	99,103	99,103	250,000	(1,614.73)	
81	37	1,648	103,843	103,843	250,000	(1,582.35)	
82	38	1,648	108,731	108,731	250,000	(1,529.35)	
83	39	1,648	113,745	113,745	250,000	(1,463.16)	
84	40	1,648	118,901	118,901	250,000	(1,399.27)	
85	41	1,648	124,220	124,220	250,000	(1,335.79)	
86	42	1,648	129,756	129,756	250,000	(1,273.06)	
87	43	1,648	135,527	135,527	250,000	(1,194.30)	
88	44	1,648	141,585	141,585	250,000	(1,098.57)	
89	45	1,648	147,976	147,976	250,000	(989.76)	
90	46	1,648	154,755	154,755	250,000	(876.60)	
91	47	1,648	161,991	161,991	250,000	(772.84)	
92	48	1,648	169,755	169,755	250,000	(672.90)	
93	49	1,648	178,135	178,135	250,000	(583.16)	
94	50	1,648	187,254	187,254	250,000	(492.91)	
95	51	1,648	197,236	197,236	250,000	(401.41)	
96	52	1,648	208,253	208,253	250,000	(315.25)	
97	53	1,648	220,519	220,519	250,000	(236.24)	
98	54	1,648	234,314	234,314	250,000	(177.40)	
99	55	1,648	250,002	250,002	250,002	(399.23)	

In this instance, the objective was to endow at age 100. A planned premium to achieve the objective for each of the example companies A, B, C, and D is shown in Table E.

5

Table E
Product Value for Money –
Planned Premium to Achieve Objective

	Company A	Company B	Company C	Company D
Planned Premium to Achieve Objective	\$2,125	\$1,953	\$2,048	\$1,648

The premiums to meet this objective are annual premiums, which range from \$1,648 for Company D to \$2,125 for Company A. The high and low points were set at \$1,600 (normalized score of 5) and \$2,500 (normalized score of 0) respectively, a range of \$900. On this scale, Company D got a normalized score of 4.7 (48/900 of the way between 5 and 0).

For product flexibility, one point is given for each of the six features. The high point is 5 and the low point is 0. The interpolation here works out so that the normalized score is the number of points for each product, but not more than 5.

Product flexibility for each of the example companies A, B, C, and D, is shown in Table F.

Table F
Product Value for Money – Flexibility

Flexibility (1=Y, 0=N)	Company A	Company B	Company C	Company D
No lapse guarantee	1	0	0	1
Term rider	1	1	1	1
Penalty-free withdrawals	1	0	0	1
Preferred loans	0	1	1	1
COI refunds	0	1	0	1
Persistency bonus	1	0	1	0
Total	4	3	3	5

Finally, the weighted average of the four metrics is calculated, giving effect to
5 the weights from table A.

Product Stress Tolerance

A similar process is followed for this scoring driver. For two of the policies,
Company A and Company C, the illustration at the midpoint in this example does not
10 produce an IRR because the product failed. I.e., the policyholder group, on average,
did not get back as much money as they put in. In those cases, the ratio of 20-year
Cash Surrender Values provides a more discriminating metric.

Calculations for Product Stress Tolerance for each of the example companies
is shown in Table G1-G4.

Table G1
Product Stress Tolerance – Midpoint Assumptions

Company A							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>Current CSV</u>	<u>DB</u>	<u>Midpoint Cash Value</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	2,125	0	250,000	0	2,026.69	0.00%
46	2	2,125	0	250,000	0	1,880.59	
47	3	2,125	0	250,000	0	1,744.08	
48	4	2,125	0	250,000	0	1,613.06	
49	5	2,125	567	250,000	0	1,479.89	
50	6	2,125	2,751	250,000	43	1,336.05	
51	7	2,125	5,064	250,000	1,485	1,138.59	
52	8	2,125	7,483	250,000	2,904	950.61	
53	9	2,125	10,037	250,000	4,298	783.00	
54	10	2,125	12,732	250,000	5,651	625.12	
55	11	2,125	16,396	250,000	7,798	469.26	
56	12	2,125	19,944	250,000	9,664	309.87	
57	13	2,125	23,446	250,000	11,265	159.95	
58	14	2,125	26,908	250,000	12,581	62.96	
59	15	2,125	30,338	250,000	13,619	(27.83)	
60	16	2,125	33,278	250,000	13,867	(135.15)	
61	17	2,125	36,352	250,000	13,910	(223.70)	
62	18	2,125	39,560	250,000	13,703	(305.59)	
63	19	2,125	42,908	250,000	13,199	(382.65)	
64	20	2,125	46,398	250,000	12,343	(437.14)	
65	21	2,125	50,054	250,000	11,087	(483.63)	
66	22	2,125	53,858	250,000	9,359	(512.22)	
67	23	2,125	57,809	250,000	7,087	(526.89)	
68	24	2,125	61,906	250,000	4,190	(521.98)	
69	25	2,125	66,140	250,000	560	(510.49)	
70	26	2,125	70,502	250,000	0	(701.52)	

Table G2
Product Stress Tolerance – Midpoint Assumptions

Company B							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>Current CSV</u>	<u>DB</u>	<u>Midpoint Cash Value</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	1,953	0	250,000	0	1,854.69	0.00%
46	2	1,953	0	250,000	0	1,717.26	
47	3	1,953	0	250,000	0	1,589.02	
48	4	1,953	663	250,000	0	1,465.86	
49	5	1,953	2,911	250,000	975	1,300.63	
50	6	1,953	5,394	250,000	3,231	1,080.79	
51	7	1,953	7,992	250,000	4,787	892.36	
52	8	1,953	10,713	250,000	6,417	709.93	
53	9	1,953	13,561	250,000	8,123	544.75	
54	10	1,953	16,541	250,000	9,908	386.11	
55	11	1,953	19,637	250,000	10,906	276.80	
56	12	1,953	22,847	250,000	11,903	151.91	
57	13	1,953	26,164	250,000	12,901	26.46	
58	14	1,953	29,593	250,000	13,898	(55.26)	
59	15	1,953	33,139	250,000	14,896	(138.52)	
60	16	1,953	36,537	250,000	15,894	(256.16)	
61	17	1,953	39,699	250,000	16,891	(357.65)	
62	18	1,953	43,164	250,000	17,889	(455.34)	
63	19	1,953	46,756	250,000	18,886	(551.17)	
64	20	1,953	50,474	250,000	19,884	(627.54)	
65	21	1,953	54,284	250,000	18,249	(656.13)	
66	22	1,953	58,225	250,000	16,615	(675.28)	
67	23	1,953	62,293	250,000	14,980	(688.59)	
68	24	1,953	66,487	250,000	13,345	(689.93)	
69	25	1,953	70,804	250,000	11,711	(692.11)	
70	26	1,953	75,241	250,000	10,076	(858.28)	
71	27	1,953	79,781	250,000	9,068	(889.97)	
72	28	1,953	84,421	250,000	8,061	(922.85)	
73	29	1,953	89,158	250,000	7,053	(953.88)	
74	30	1,953	93,985	250,000	6,046	(982.81)	
75	31	1,953	98,880	250,000	5,038	(1,001.76)	
76	32	1,953	103,828	250,000	4,030	(1,025.81)	
77	33	1,953	108,814	250,000	3,023	(1,056.41)	
78	34	1,953	113,823	250,000	2,015	(1,081.81)	
79	35	1,953	118,843	250,000	1,008	(1,102.67)	
80	36	1,953	123,863	250,000	-	(1,111.30)	

Table G3
Product Stress Tolerance – Midpoint Assumptions

Company C							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>Current CSV</u>	<u>DB</u>	<u>Midpoint Cash Value</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	2,048	0	250,000	0	1,949.69	0.00%
46	2	2,048	0	250,000	0	1,807.47	
47	3	2,048	0	250,000	0	1,674.66	
48	4	2,048	0	250,000	0	1,547.16	
49	5	2,048	1,227	250,000	0	1,417.35	
50	6	2,048	3,045	250,000	1,664	1,214.32	
51	7	2,048	4,963	250,000	2,712	1,037.53	
52	8	2,048	6,988	250,000	3,819	865.63	
53	9	2,048	9,122	250,000	4,985	709.95	
54	10	2,048	11,364	250,000	6,210	559.91	
55	11	2,048	14,339	250,000	6,366	466.00	
56	12	2,048	17,391	250,000	7,721	320.96	
57	13	2,048	20,507	250,000	9,104	176.13	
58	14	2,048	23,689	250,000	10,517	75.84	
59	15	2,048	26,939	250,000	11,960	(25.16)	
60	16	2,048	30,222	250,000	13,418	(159.36)	
61	17	2,048	33,596	250,000	14,915	(276.82)	
62	18	2,048	37,065	250,000	16,456	(389.85)	
63	19	2,048	40,633	250,000	18,040	(500.38)	
64	20	2,048	44,303	250,000	19,669	(590.74)	
65	21	2,048	47,421	250,000	18,536	(629.74)	
66	22	2,048	50,616	250,000	17,404	(658.18)	
67	23	2,048	53,904	250,000	16,271	(679.72)	
68	24	2,048	57,293	250,000	15,138	(688.31)	
69	25	2,048	60,782	250,000	14,006	(696.82)	
70	26	2,048	64,369	250,000	12,873	(868.42)	
71	27	2,048	68,055	250,000	8,582	(864.12)	
72	28	2,048	71,843	250,000	4,291	(866.25)	
73	29	2,048	75,734	250,000	0	(871.43)	

Table G4
Product Stress Tolerance – Midpoint Assumptions

Company D							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>Current CSV</u>	<u>DB</u>	<u>Midpoint Cash Value</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	1,648	0	250,000	0	1,549.69	0.00%
46	2	1,648	0	250,000	0	1,427.63	
47	3	1,648	0	250,000	0	1,314.04	
48	4	1,648	0	250,000	0	1,204.85	
49	5	1,648	523	250,000	0	1,092.50	
50	6	1,648	2,435	250,000	1,055	929.53	
51	7	1,648	4,430	250,000	1,920	774.13	
52	8	1,648	6,487	250,000	2,812	623.36	
53	9	1,648	8,609	250,000	3,731	488.47	
54	10	1,648	10,772	250,000	4,669	359.07	
55	11	1,648	12,923	250,000	5,281	262.50	
56	12	1,648	15,062	250,000	5,892	149.06	
57	13	1,648	17,333	250,000	6,504	33.83	
58	14	1,648	19,744	250,000	7,116	(38.76)	
59	15	1,648	22,308	250,000	7,728	(113.95)	
60	16	1,648	25,032	250,000	8,339	(224.52)	
61	17	1,648	27,932	250,000	8,951	(319.86)	
62	18	1,648	31,012	250,000	9,563	(412.26)	
63	19	1,648	34,295	250,000	10,174	(503.62)	
64	20	1,648	37,790	250,000	10,786	(576.25)	
65	21	1,648	40,816	250,000	8,835	(602.94)	
66	22	1,648	43,943	250,000	6,884	(620.69)	
67	23	1,648	47,230	250,000	4,933	(633.05)	
68	24	1,648	50,616	250,000	2,982	(633.85)	
69	25	1,648	54,111	250,000	1,031	(635.87)	
70	26	1,648	57,657	250,000	0	(813.04)	

The ratios of 20-Year cash values on midpoint and current assumptions are

5 shown in Table H, and the years in force at midpoint assumptions are shown in Table

I.

Table H
Product Stress Tolerance – Ratio of 20-year Cash Values
on Midpoint and Current Assumptions

	Company A	Company B	Company C	Company D
CV ₂₀ ^{MIDPOINT}	12,343	19,884	19,669	10,786
CV ₂₀ ^{CURRENT}	46,398	50,474	44,303	37,790
Ratio	26.60%	39.39%	44.40%	28.54%

Table I
Product Stress Tolerance –
Years in Force at Midpoint Assumptions

	Company A	Company B	Company C	Company D
Years in force at Midpoint Assumptions	26	36	29	26

Calculation of IRR premium reduction in years 4 and later for each of the example companies is shown in Tables J1-J4.

Table J1
Product Stress Tolerance -- Calculation of IRR
Premium Reduction in Years 4 and Later

Company A							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	2,125	525	0	250,000	2,026.69	2.642%
46	2	2,125	2,001	0	250,000	1,880.59	
47	3	2,125	3,564	0	250,000	1,744.08	
48	4	1,063	4,147	0	250,000	703.80	
49	5	1,063	4,739	0	250,000	616.99	
50	6	1,063	5,380	0	250,000	519.02	
51	7	1,063	6,057	308	250,000	405.11	
52	8	1,063	6,740	1,328	250,000	269.08	
53	9	1,063	7,450	2,390	250,000	148.11	
54	10	1,063	8,184	3,489	250,000	31.72	
55	11	1,063	8,872	5,419	250,000	(86.08)	
56	12	1,063	9,452	7,100	250,000	(210.45)	
57	13	1,063	10,004	8,599	250,000	(329.38)	
58	14	1,063	10,524	9,908	250,000	(399.22)	
59	15	1,063	10,986	10,986	250,000	(465.25)	
60	16	1,063	11,395	11,395	250,000	(551.58)	
61	17	1,063	11,745	11,745	250,000	(622.76)	
62	18	1,063	12,018	12,018	250,000	(690.90)	
63	19	1,063	12,199	12,199	250,000	(757.83)	
64	20	1,063	12,271	12,271	250,000	(805.78)	
65	21	1,063	12,234	12,234	250,000	(849.45)	
66	22	1,063	12,042	12,042	250,000	(878.51)	
67	23	1,063	11,660	11,660	250,000	(896.75)	
68	24	1,063	11,050	11,050	250,000	(898.26)	
69	25	1,063	10,159	10,159	250,000	(895.97)	
70	26	1,063	8,926	8,926	250,000	(1,053.17)	
71	27	1,063	7,272	7,272	250,000	(1,064.09)	
72	28	1,063	5,100	5,100	250,000	(1,072.71)	
73	29	1,063	2,290	2,290	250,000	(1,075.96)	
74	30	0	0	0	0	0	

Table J2
Product Stress Tolerance -- Calculation of IRR
Premium Reduction in Years 4 and Later

Company B							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	1,953	909	0	250,000	1,854.69	5.883%
46	2	1,953	2,409	0	250,000	1,717.26	
47	3	1,953	3,972	0	250,000	1,589.02	
48	4	977	4,669	0	250,000	630.20	
49	5	977	5,430	907	250,000	510.34	
50	6	977	6,356	2,285	250,000	364.79	
51	7	977	7,322	3,704	250,000	218.31	
52	8	977	8,330	5,164	250,000	76.80	
53	9	977	9,379	6,665	250,000	(48.43)	
54	10	977	10,467	8,205	250,000	(168.07)	
55	11	977	11,570	9,761	250,000	(264.18)	
56	12	977	12,679	11,322	250,000	(375.59)	
57	13	977	13,777	12,873	250,000	(486.86)	
58	14	977	14,860	14,407	250,000	(553.56)	
59	15	977	15,920	15,920	250,000	(621.17)	
60	16	977	16,956	16,956	250,000	(712.53)	
61	17	977	17,950	17,950	250,000	(787.86)	
62	18	977	18,890	18,890	250,000	(859.42)	
63	19	977	19,760	19,760	250,000	(929.02)	
64	20	977	20,542	20,542	250,000	(978.87)	
65	21	977	21,172	21,172	250,000	(1,022.67)	
66	22	977	21,672	21,672	250,000	(1,051.35)	
67	23	977	22,008	22,008	250,000	(1,068.72)	
68	24	977	22,148	22,148	250,000	(1,068.99)	
69	25	977	22,048	22,048	250,000	(1,065.22)	
70	26	977	21,664	21,664	250,000	(1,220.62)	
71	27	977	20,921	20,921	250,000	(1,229.29)	
72	28	977	19,756	19,756	250,000	(1,235.71)	
73	29	977	18,093	18,093	250,000	(1,237.07)	
74	30	977	15,837	15,837	250,000	(1,233.34)	
75	31	977	12,854	12,854	250,000	(1,216.73)	
76	32	977	8,998	8,998	250,000	(1,202.59)	
77	33	977	4,091	4,091	250,000	(1,192.59)	

Table J3
Product Stress Tolerance -- Calculation of IRR
Premium Reduction in Years 4 and Later

Company C							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	2,048	1,098	0	250,000	1,949.69	3.824%
46	2	2,048	2,705	0	250,000	1,807.47	
47	3	2,048	4,357	0	250,000	1,674.66	
48	4	1,024	5,041	0	250,000	670.85	
49	5	1,024	5,740	0	250,000	585.72	
50	6	1,024	6,463	138	250,000	484.04	
51	7	1,024	7,214	890	250,000	355.73	
52	8	1,024	7,996	1,671	250,000	230.54	
53	9	1,024	8,804	2,480	250,000	119.89	
54	10	1,024	9,633	3,309	250,000	13.37	
55	11	1,024	10,469	4,777	250,000	(89.88)	
56	12	1,024	11,279	6,219	250,000	(207.41)	
57	13	1,024	12,041	7,614	250,000	(323.79)	
58	14	1,024	12,750	8,955	250,000	(394.73)	
59	15	1,024	13,396	10,233	250,000	(465.71)	
60	16	1,024	13,929	11,399	250,000	(568.73)	
61	17	1,024	14,402	12,505	250,000	(654.67)	
62	18	1,024	14,804	13,539	250,000	(735.86)	
63	19	1,024	15,126	14,494	250,000	(814.38)	
64	20	1,024	15,356	15,356	250,000	(872.58)	
65	21	1,024	15,450	15,450	250,000	(914.24)	
66	22	1,024	15,382	15,382	250,000	(941.12)	
67	23	1,024	15,123	15,123	250,000	(957.09)	
68	24	1,024	14,541	14,641	250,000	(956.37)	
69	25	1,024	13,897	13,897	250,000	(952.06)	
70	26	1,024	12,851	12,851	250,000	(1,107.57)	
71	27	1,024	11,456	11,456	250,000	(1,117.37)	
72	28	1,024	9,665	9,665	250,000	(1,125.84)	
73	29	1,024	7,418	7,418	250,000	(1,130.21)	
74	30	1,024	4,643	4,643	250,000	(1,130.51)	
75	31	1,024	1,251	1,251	250,000	(1,119.09)	

Table J4
Product Stress Tolerance -- Calculation of IRR
Premium Reduction in Years 4 and Later

Company D							
<u>Age</u>	<u>Duration</u>	<u>Premium</u>	<u>AV</u>	<u>CSV</u>	<u>DB</u>	<u>Cash Flow</u>	<u>IRR</u>
45	1	1,648	1,387	0	250,000	1,549.69	6.823%
46	2	1,648	2,800	0	250,000	1,427.63	
47	3	1,648	4,243	0	250,000	1,314.04	
48	4	824	4,902	0	250,000	499.70	
49	5	824	5,572	0	250,000	423.29	
50	6	824	6,226	0	250,000	335.25	
51	7	824	6,892	839	250,000	211.44	
52	8	824	7,541	1,848	250,000	85.87	
53	9	824	8,172	2,852	250,000	(23.57)	
54	10	824	8,755	3,822	250,000	(126.87)	
55	11	824	9,227	4,697	250,000	(205.22)	
56	12	824	9,582	5,469	250,000	(297.93)	
57	13	824	9,961	6,283	250,000	(394.13)	
58	14	824	10,364	7,139	250,000	(449.17)	
59	15	824	10,795	8,045	250,000	(508.42)	
60	16	824	11,255	9,000	250,000	(604.41)	
61	17	824	11,745	10,013	250,000	(686.39)	
62	18	824	12,268	11,081	250,000	(766.44)	
63	19	824	12,826	12,216	250,000	(846.49)	
64	20	824	13,421	13,421	250,000	(908.71)	
65	21	824	13,998	13,998	250,000	(956.02)	
66	22	824	14,496	14,496	250,000	(988.90)	
67	23	824	14,970	14,970	250,000	(1,012.28)	
68	24	824	15,332	15,332	250,000	(1,019.21)	
69	25	824	15,573	15,573	250,000	(1,022.99)	
70	26	824	15,598	15,598	250,000	(1,186.11)	
71	27	824	15,423	15,423	250,000	(1,203.39)	
72	28	824	15,061	15,061	250,000	(1,219.74)	
73	29	824	14,469	14,469	250,000	(1,232.19)	
74	30	824	13,629	13,629	250,000	(1,240.86)	
75	31	824	12,463	12,463	250,000	(1,237.78)	
76	32	824	10,945	10,945	250,000	(1,238.53)	
77	33	824	9,043	9,043	250,000	(1,244.89)	
78	34	824	6,633	6,633	250,000	(1,244.96)	
79	35	824	3,670	3,670	250,000	(1,239.95)	
80	36	824	67	67	250,000	(1,222.52)	

Management Performance

In order to set reasonable high and low points for this scoring driver, a universe of ten companies is examined, and the metrics for each one computed based on recent statutory filings. In this example, statutory filing as of December 31, 2000 were examined. Where a company is a subsidiary of a larger life insurer, consolidated statutory numbers from the NAIC database are used. Management performance statistics for each of the companies A, B, C, and D are shown in Table K.

Table K

Management Performance Statistics

Management Performance	Company A	Company B	Company C	Company D	Company E
5-year Average ROE	7.1%	11.0%	12.9%	13.6%	1.8%
Ordinary Life Expenses / Generally Recognized Expense Table	166.3%	608.2%	342.4%	197.5%	206.1%
5-year Average PEGG	4.2%	8.8%	-3.6%	118.1%	157.4%
5-year Assets CAGR	12.1%	25.5%	6.6%	23.4%	38.8%
Maximum Earnings Deviation from Geometric Path	366.5%	108.6%	44.2%	24.4%	162.9%
Ordinary Life Expenses / Ordinary Life Premiums	17.7%	22.7%	22.4%	14.4%	11.6%
Ordinary Life Expenses / Ordinary Life Reserves	3.6%	2.3%	2.9%	1.6%	9.5%
	Company F	Company G	Company H	Company I	Company J
5-year Average ROE	26.9%	8.9%	18.1%	14.1%	23.3%
Ordinary Life Expenses / Generally Recognized Expense Table	122.4%	73.7%	372.3%	495.5%	181.9%
5-year Average PEGG	6.2%	-16.5%	-3.8%	8.2%	-0.3%
5-year Assets CAGR	8.3%	12.5%	9.5%	24.1%	10.9%
Maximum Earnings Deviation from Geometric Path	52.1%	48.4%	125.1%	62.9%	23.1%
Ordinary Life Expenses / Ordinary Life Premiums	6.5%	2.3%	15.1%	12.6%	6.6%
Ordinary Life Expenses / Ordinary Life Reserves	0.9%	1.1%	2.0%	1.6%	0.9%

Historical Credited Rates

The high point is set at \$6,150 and the low point at \$5,800. Company D, being above the high point, receives a normalized score of 5. Historical credit rates are shown in Table L.

5

Table L
Historical Credited Rates

	Company	Company	Company	Company
	A	B	C	D
1996	8.00%	8.30%	8.40%	8.50%
1997	7.50%	7.60%	7.80%	8.00%
1998	7.00%	6.90%	7.20%	7.50%
1999	6.50%	6.20%	6.60%	7.00%
2000	6.00%	5.50%	6.00%	6.50%
	<i>\$1,000 Accumulated to 2001:</i>			
	\$6,098	\$6,058	\$6,123	\$6,188

Company Service Quality

Company service quality indicators are shown in Table M for the example companies

10 A, B, C, and D.

Table M
Company Service Quality Indicators

	Co.	Co.	Co.	Co.	Low	High
	A	B	C	D	Score	Score
Average Time to Offer	60	30	45	15	15	60
Telephone Service – Composite Score:	5.0	4.0	3.5	2.5		
Days/week CSRs available	5	5	5	5	5	5
Avg # of calls/day per CSR	30	40	50	60	30	60
Hours/day customer service available	8	9	9	10	8	10
800 # available (1=Y, 0=N)	1	1	1	1	1	1
Website Capabilities (1=Y, 0=N)						
Website	1	1	1	1		
Specific product information available	1	1	1	0		
Quote capabilities	0	0	0	0		
Ability to apply online	0	0	0	0		
Ability to access account information	0	0	0	0		
Ability to change address, beneficiary	0	0	0	0		
Application status capabilities	0	0	0	0		
Total	2	1	0	0	0	7
Standard Requests -- days to process						
Cash loans	5	4	5	3		
Cash surrenders	6	6	5	4		
Non-contestable death claims	5	5	4	3		
Customer correspondence	6	8	5	4		
Average	5.5	5.75	4.75	3.5	3	5

Best's Rating

Best's rating for the example companies A, B, C, and D are shown in Table N.

5

Table N

Number of companies by Best Ratings				
			Percentile	Score
A++	46	11.3%	100.0%	5.0
A+	147	36.1%	88.7%	4.4
A	123	30.2%	52.6%	2.6
A-	52	12.8%	22.4%	1.1
B++	22	5.4%	9.6%	0.5
B+	15	3.7%	4.2%	0.2
E	2	0.5%	0.5%	0.0
Total	407			

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

10

Company A	A
Company B	A++
Company C	A
Company D	A++

PVAS Rating

The PVAS rating is a weighted average of the normalized scores on each of the scoring drivers. This calculation is summarized in Table O.

Table O
PVAS Calculation Summary

	Company A	Company B	Company C	Company D
PVAS Rating (Out of 5 Points):	1.8	3.6	2.5	4.0
I. Product Value for Money	1.6	3.7	1.8	4.8
II. Product Stress Tolerance	0.3	3.9	3.3	1.6
III. Management Performance	1.9	2.6	2.2	4.0
IV. Product Crediting Rate History	4.3	3.7	4.6	5.0
V. Company Service Quality	2.4	3.5	2.9	3.9
VI. AM Best Rating	2.6	5.0	2.6	5.0
I. Product Value for Money				
IRR – current assumptions, LIMRA lapses	1.4	4.2	1.7	5.0
IRR – current assumptions, level lapses	0.8	3.8	1.0	4.6
Planned Premium to Achieve Objective	2.1	3.0	2.5	4.7
Product Flexibility	4.0	3.0	3.0	5.0
Score	1.6	3.7	1.8	4.8
II. Product Stress Tolerance				
Ratio of 20-year CSV for midpoint:current assumptions	0.4	3.6	4.8	0.9
Years in Force at Midpoint Assumption	0.5	5.0	2.0	0.5
IRR – current assumptions with 50% premium years 4+	0.0	3.5	0.0	5.0
Score	0.3	3.9	3.3	1.6
III. Management Performance				
5-year Average ROE	0.0	2.5	3.7	4.1
Ordinary Life Expenses / GRET	3.7	0.0	0.0	2.8
5-year Average Premium Expense				
Growth Gap	4.4	5.0	0.0	5.0
5-year Assets CAGR	2.5	5.0	0.8	5.0
Maximum Earnings Deviation from Geometric Path	3.7	5.0	5.0	5.0
Ordinary Life Expenses / Ordinary Life Premium	1.6	0.1	0.2	2.5
Ordinary Life Expenses / Ordinary Life Reserves	0.7	2.8	1.9	4.0
Score	1.9	2.6	2.2	4.0

IV. Historical Credited Rates				
Score	4.3	3.7	4.6	5.0
V. Company Service Quality				
Average time to offer	2.0	4.0	3.0	5.0
Telephone service	5.0	4.0	3.5	2.5
Website capabilities	1.4	1.4	1.4	0.7
Response time for standard requests	2.8	2.7	3.3	4.1
Score	2.4	3.5	2.9	3.9
VI. AM Best Rating				
Score	2.6	5.0	2.6	5.0

After a purchase decision is made, that information is transmitted back to the value appraisal system to become a part of the market intelligence database and to the “winning” carrier. The value appraisal system will also be able to transmit an on-line application for the selected product to the winning carrier.

It will be apparent to those skilled in the art that various modifications and variation can be made in the system for appraising a life insurance product of the present invention without departing from the spirit or scope of the invention. Thus, it is intended that the present invention cover the modifications and variations of this invention provided they come within the scope of the appended claims and their equivalents